



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

AMENDED
FACT SHEET FOR S.B. 1118

~~technical correction; heritage fund; audit~~
(NOW: STO; scholarships; increase)

Purpose

Expands eligibility for specified individual and low-income corporate scholarships or grants, adjusts the statutory required cap for low-income scholarships and grants, and increases the annual low-income scholarship and grant cap.

Background

A certified school tuition organization (STO) is a nonprofit organization that receives income tax credit contributions that fund scholarships for students to attend qualified private schools in Arizona. Once certified with the Arizona Department of Revenue, a STO may receive tax credit donations from individual and corporate taxpayers (A.R.S. §§ [43-1089](#) and [43-1183](#)).

A STO must use at least 90 percent of its annual tax credit contributions to provide educational scholarships or tuition grants for students who: 1) attended public school as a full-time student or a public preschool program for children with disabilities for one full semester or 90 days of the prior fiscal year before transferring to a qualified private school; 2) are enrolled in a qualified private school kindergarten or private preschool program for students with disabilities; 3) are the dependent of a member of the U.S. armed forces who is stationed in Arizona due to military orders; or 4) received an educational scholarship or tuition grant in the prior year ([A.R.S. § 43-1603](#)).

A STO that receives corporate contributions must use at least 90 percent of its annual tax credit contributions to provide educational scholarships or tuition grants to low-income students. To qualify for low-income STO corporate scholarships or grants, a student's family income must not exceed 185 percent of the income limit required to qualify for reduced-price lunches under the National School Lunch and Child Nutrition Acts. Beginning in 2006, low-income corporate STO scholarship and grant amounts were capped at \$4,200 for preschool students with disabilities and kindergarten through grade 8 (K-8) students and \$5,500 for students in grades 9 through 12. The scholarship limitation amount increases \$100 annually ([A.R.S. § 43-1504](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Expands specified individual and low-income corporate STO scholarship and grant eligibility to include a student who:
 - a) is homeschooled before enrolling in a qualified school;
 - b) moved to Arizona from out of state before enrolling in a qualified school; or
 - c) participated in an Arizona Empowerment Scholarship Account (ESA) and did not renew the ESA or accept the scholarship in order to accept a specified individual or low-income scholarship or tuition grant.

2. Increases, beginning in 2021, the low-income scholarship or grant cap amount to \$7,500, rather than \$6,900, for students in grades 9 through 12.
3. Conforms, beginning in 2021, the low-income scholarship or grant statutory cap amount to the current amount of \$5,600 for K-8 students and preschool students with disabilities.
4. Increases the low-income scholarship or grant limit annual increase to \$200, rather than \$100.
5. Makes technical and conforming changes.
6. Becomes effective on the general effective date.

Amendments Adopted by Committee

- Adopted the strike-everything amendment.

Senate Action

APPROP 2/9/21 DPA/SE 6-4-0

Prepared by Senate Research

February 23, 2021

LMM/DH/kja